

**SOUTH VALLEY SANCTUARY, INC.
(A NON-PROFIT ORGANIZATION)**

FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2005 AND 2004

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PINNOCK, ROBBINS, POSEY & RICHINS

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
South Valley Sanctuary, Inc.

We have audited the accompanying statements of financial position of South Valley Sanctuary, Inc., a non-profit organization, as of June 30, 2005 and 2004, and the related statements of activity, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Valley Sanctuary, Inc., a non-profit organization, as of June 30, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 17, 2006, on our consideration of the South Valley Sanctuary, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Pinnock, Robbins, Posey & Richins

January 17, 2006

SOUTH VALLEY SANCTUARY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2005 AND 2004

ASSETS

	<u>2005</u>	<u>2004</u>
Cash	\$ 19,888	\$ 18,102
Prepays	4,892	3,248
Grants receivable	67,623	38,929
Other receivable	<u>1,177</u>	<u>586</u>
 TOTAL CURRENT ASSETS	 93,580	 60,865
 PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	 <u>1,389,194</u>	 <u>1,410,540</u>
 TOTAL ASSETS	 <u><u>\$1,482,774</u></u>	 <u><u>\$1,471,405</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 24,972	\$ 2,743
Accrued wages and payroll taxes	<u>11,766</u>	<u>9,498</u>
 TOTAL CURRENT LIABILITIES	 <u>36,738</u>	 <u>12,241</u>
 NET ASSETS:		
Unrestricted net assets	1,398,540	1,450,664
Temporarily restricted net assets	<u>47,496</u>	<u>8,500</u>
 TOTAL NET ASSETS	 <u>1,446,036</u>	 <u>1,459,164</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$1,482,774</u></u>	 <u><u>\$1,471,405</u></u>

See accompanying notes to the financial statements.

SOUTH VALLEY SANCTUARY, INC.

STATEMENTS OF ACTIVITY

YEAR ENDED JUNE 30, 2005 WITH

COMPARATIVE TOTALS FOR 2004

	Unrestricted Fund	Temporarily Restricted Fund	2005 Total All Funds	2004 Total All Funds
PUBLIC SUPPORT AND REVENUES:				
PUBLIC SUPPORT:				
Individual and corporate contributions	\$ 199,550	\$ 56,000	\$ 255,550	\$ 130,455
Governmental contributions	—	359,888	359,888	336,762
Net assets released from restrictions	<u>376,892</u>	<u>(376,892)</u>	<u>—</u>	<u>—</u>
TOTAL PUBLIC SUPPORT	<u>576,442</u>	<u>38,996</u>	<u>615,438</u>	<u>467,217</u>
EXPENSES:				
PROGRAM SERVICES:				
Direct services	<u>532,787</u>	<u>—</u>	<u>532,787</u>	<u>473,057</u>
TOTAL PROGRAM SERVICES	<u>532,787</u>	<u>—</u>	<u>532,787</u>	<u>473,057</u>
SUPPORTING SERVICES:				
Management and general	<u>95,779</u>	<u>—</u>	<u>95,779</u>	<u>65,473</u>
TOTAL SUPPORTING SERVICES	<u>95,779</u>	<u>—</u>	<u>95,779</u>	<u>65,473</u>
TOTAL EXPENSES	<u>628,566</u>	<u>—</u>	<u>628,566</u>	<u>538,530</u>
CHANGES IN NET ASSETS	(52,124)	38,996	(13,128)	(71,313)
NET ASSETS AT BEGINNING OF YEAR	<u>1,450,664</u>	<u>8,500</u>	<u>1,459,164</u>	<u>1,530,477</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,398,540</u>	<u>\$ 47,496</u>	<u>\$ 1,446,036</u>	<u>\$ 1,459,164</u>

See accompanying notes to the financial statements.

SOUTH VALLEY SANCTUARY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2005 WITH

COMPARATIVE TOTALS FOR 2004

	Direct Services Shelter	Management and General	2005 Total	2004 Total
Wages and benefits	\$ 382,553	\$ 47,177	\$ 429,730	\$ 375,098
Advertising	2,057	—	2,057	2,134
Bank charges	607	671	1,278	2,413
Insurance - property and liability	7,856	1,473	9,329	9,968
Rent	713	265	978	623
Licenses and permits	870	—	870	117
Postage	1,888	63	1,951	4,478
Training	5,189	922	6,111	4,192
Awards and miscellaneous	5,624	2,545	8,169	6,373
Fundraising	626	10,226	10,852	5,195
Professional fees	336	9,839	10,175	8,525
Program	14,874	123	14,997	16,121
Supplies	4,809	584	5,393	6,990
Telephone	7,419	—	7,419	7,235
Utilities	18,462	—	18,462	16,479
Printing	3,230	339	3,569	4,599
Dues and subscriptions	2,840	515	3,355	4,208
Depreciation	43,252	—	43,252	44,599
Repairs	6,462	—	6,462	1,982
Maintenance	23,120	366	23,486	17,201
Bad debt	—	20,671	20,671	—
TOTAL EXPENSES	<u>\$ 532,787</u>	<u>\$ 95,779</u>	<u>\$ 628,566</u>	<u>\$ 538,530</u>

See accompanying notes to the financial statements.

SOUTH VALLEY SANCTUARY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (13,128)	\$ (71,313)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	43,252	44,599
Changes in assets:		
(Increase) decrease in accounts receivable	(29,285)	20,014
(Increase) in prepaids	(1,644)	(194)
Changes in liabilities:		
Increase in accounts payable	22,229	528
Increase (decrease) in accrued wages	<u>2,268</u>	<u>(7,562)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>23,692</u>	<u>(13,928)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	<u>(21,906)</u>	<u>(5,967)</u>
NET CASH (USED IN) INVESTING ACTIVITIES	(21,906)	(5,967)
NET INCREASE (DECREASE) IN CASH	1,786	(19,895)
CASH AT BEGINNING OF YEAR	<u>18,102</u>	<u>37,997</u>
CASH AT END OF YEAR	<u>\$ 19,888</u>	<u>\$ 18,102</u>

See accompanying notes to the financial statements.

SOUTH VALLEY SANCTUARY, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Nature of Organization

The South Valley Sanctuary, Inc. (the Sanctuary) is a non-profit organization established on January 27, 1994. The Sanctuary provides temporary shelter, food, clothing, personal care, case management, education, 24 hour crisis line, and referrals for victims of domestic violence, primarily for the Salt Lake County area. The Sanctuary is governed by a board of Trustees made up of volunteers.

b. Basis Accounting

The financial statements have been prepared using the accrual basis of accounting and the financial reporting standards applicable to non-profit organizations. The Sanctuary recognizes contributions as revenue when they are received. The Sanctuary reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Books and records of the Sanctuary are maintained to ensure observance of limitations and restrictions placed on the use of resources available to the Sanctuary. All financial transactions have been recorded on and reported by the following fund groups:

Unrestricted Fund represents resources over which the Board of Trustees has discretionary control and is used to carry out operations of the Sanctuary in accordance with its by-laws.

Temporarily Restricted Fund represents resources currently available for use, but expendable only for those operating purposes specified by the donor. Resources of the fund originate from gifts and grants.

c. Valuation of Donated Goods and Services

Donated goods and services are reflected in the financial statements at their fair market value if the value is determinable by the contributor and the Sanctuary. In addition, a number of volunteers donate significant amounts of time to the Sanctuary. There are also several donations of small household and personal items. However, since such services and donations do not afford an objective basis for valuation, they have not been recognized in the accompanying financial statements.

d. Functional Expense Allocation

Expenses are allocated directly to the benefiting program or support service whenever feasible. Allocations are based on hours.

e. Income Taxes

The Sanctuary is an organization exempt from income taxes under section 501(c) (3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under section 509(a) of the Internal Revenue Code. Accordingly, the Sanctuary is not required to pay income taxes. Contributions to the Sanctuary qualify for the charitable contributions deduction to the extent provided by section 170 of the Internal Revenue Code.

SOUTH VALLEY SANCTUARY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

f. Cash Flows

For purposes of reporting cash flows, cash and cash equivalents are defined as cash on hand and checking.

g. Activities

The following is a description of the activities for each major program:

Direct services shelter provides housing, food, clothing, personal care, case management, 24 hour crisis line, and education to victims of domestic violence.

Management and general accounts for the administration activities of the Sanctuary.

h. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

i. Furniture and Equipment

Purchased furniture and equipment is recorded at cost. Donated furniture and equipment is capitalized at its fair value at the date of donation. Depreciation is provided on the straight-line method over the estimated useful lives of 3-10 years.

j. Revenue Sources

The Sanctuary's primary sources of revenue are from federal and state grants and donations from individuals and corporations.

k. Reclassification of 2004 Balances

Certain reclassifications have been made to the 2004 balances to be consistent with the 2005 presentation.

2. PROPERTY AND EQUIPMENT

At June 30, 2005 and 2004 property and equipment was comprised of the following:

	<u>2005</u>	<u>2004</u>
Land	\$ 130,700	\$ 130,700
Buildings and improvements	1,509,710	1,496,240
Furniture and furnishings	<u>107,537</u>	<u>99,101</u>
	1,747,947	1,726,041
Less: accumulated depreciation	<u>(358,753)</u>	<u>(315,501)</u>
Net property and equipment	<u>\$ 1,389,194</u>	<u>\$ 1,410,540</u>

SOUTH VALLEY SANCTUARY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. PROPERTY AND EQUIPMENT (CONTINUED)

The building is comprised of the Sanctuary's main shelter facility and is depreciated over its expected life of forty years. The depreciation expense reflected in these financial statements is \$43,252 for 2005 and \$44,599 for 2004.

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets include contributions received by the Sanctuary, which are designated for specific use. Most designated contributions were for the program expenses of the Sanctuary. Temporarily restricted net assets at June 30, 2005 consist of \$8,500, which was donated to build storage space; \$23,996 which was donated for capital improvements; and \$15,000 which was donated for children's services and supplies.

4. SUBSEQUENT EVENTS

Subsequent to June 30, 2005, the Sanctuary entered into a line-of-credit agreement with a bank. The limit on the line was \$65,000 and carried an initial interest rate of 13.5%.

Subsequent to June 30, 2005, certain granting agencies and the Office of the Utah State Auditor, have identified and investigated misappropriations by a former employee that occurred over a period of about three years. The misappropriations involved mainly credit cards issued in the Sanctuary's name, for which the Sanctuary had no knowledge. Based upon the investigation by the Office of the Utah State Auditor staff, it was determined the former employee charged personal expenses on the credit cards and then did not make payments on the cards, or reimburse the Sanctuary. It was also determined that certain grant awards were not spent in accordance with the granting terms. However, subsequent to the investigation, the granting agencies have received and accepted additional documentation and released funds to the Sanctuary. The known liability has been accrued in these financial statements based upon the facts known as of the date of this report. The amounts reflected have been recorded as bad debt since it is unclear if the Sanctuary will be able to recover reimbursement from the former employee.



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
South Valley Sanctuary, Inc.

We have audited the general purpose financial statements of South Valley Sanctuary, Inc. as of and for the year ended June 30, 2005, and have issued our report thereon dated January 17, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether South Valley Sanctuary, Inc.'s general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which have been communicated to the management of South Valley Sanctuary, Inc. in a separate letter dated January 17, 2006.

Internal Control over Financial Reporting

In planning and performing our audit, we considered South Valley Sanctuary, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted one matter involving the internal control over financial reporting and its operations that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect South Valley Sanctuary, Inc.'s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in a separate letter issued to management and the Board of Trustees dated January 17, 2006.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be a material weakness. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to the management of South Valley Sanctuary, Inc. in a separate letter dated January 17, 2006.

This report is intended for the information of South Valley Sanctuary, Inc.'s management, Board of Trustees and federal awarding agencies and pass-through entities. It is not intended to be and should not be used by anyone other than these specified parties.

Pinnock Robbins, Posey & Riching

January 17, 2006

**SOUTH VALLEY SANCTUARY
MANAGEMENT LETTER
09/27/06**

1. Reconciliations are being made before the end of each month. This has become a priority and the current bookkeeper is making sure that this is done on a monthly basis.
2. All old checks have been voided.
3. Deposits are made within 48 business hours of receiving checks. Checks are logged in when received and bank deposits are made twice weekly. The only exception to this is the All R Kids funds. They bring their funds over on Fridays to be processed through South Valley Sanctuary's accounting system.
4. South Valley Sanctuary has determined the cut-off at year end date as July 10. This allows expenses made in June to be complete and reimbursed if necessary.
5. South Valley Sanctuary no longer pays vendors off statements. If the statement is the only thing that is available the bookkeeper will call the vendor and ask for a copy of the invoice.
6. All check copies have proper support attached. Available copies are kept as to maintain record of check distribution.
7. Receivables are monitored. As funds come in they are logged in on a Mail/check receipt log and then verified at the time of the deposit.
8. Grant requests are filed at the beginning of each month.
9. All income is included in the receipt log. No funding comes in without two people verifying the amount and signing off. Receipts are issued for cash donations and are included in the cash donation log. This process has changed a great deal.

Please see attached policies and procedures that have been approved and adopted by the Board of Directors in February 2006.

Internal Monetary Controls 500

Proper Handling of Cash and Checks 500-01

When cash or checks are received they must be logged onto a check/cash receipt log. Checks and cash are then logged on a deposit form.

Deposits 500-02

An assigned shelter advocate takes the deposit to the bank every Tuesday and Friday. Before taking the deposit the advocate verifies that the checks and cash received are included in the deposit and initials the check/cash receipt log as receiving the check/cash for deposit. Copies of all checks and cash are attached to the deposit form along with the bank deposit so that the accountant can verify the funds received and deposited.

Purchases 500-03

Any purchase must have approval by program supervisor and the Purchase/Check Request form. This form is to be used if purchases are over the amount of \$20.00. If under \$20.00, the purchase may be made with petty cash or personal funds. If the purchase is made with personal funds the purchaser will fill out an Expense Report, attach the receipt and submit it to their Supervisor for approval. The Supervisor then submits the Expense Report to the Accounting Department for reimbursement. If the purchase is made with petty cash the purchaser must comply with Petty Cash procedures.

Petty Cash 500-04

Petty cash may be used for reimbursement of purchases made with personal finances with the following restrictions:

1. Prior approval of the purchase from the Supervisor must be provided for petty cash before reimbursement.
2. The amount drawn from petty cash may not exceed \$30 for any one transaction.
3. Draws from petty cash will be based on the availability of petty cash as determined by the Accounting Office.
4. Petty Cash will only be used for reimbursement. Cash may not be received prior to shopping or purchasing items.

Travel and Travel Per Diem 500-05

If an employee is asked to travel for meetings, conferences, or training, you will only be allowed to claim 8 hours per day on your timesheet.

In the absence of a related grant specifically outlining per diem amounts, an employee that is traveling on SVS business will receive the current SVS per diem rates. Current

rates shall be posted in the Accounting office. A Travel reimbursement request form must be completed prior to any monies being disbursed for per diem.

Mileage Reimbursement 500-06

Mileage for the use of your personal vehicle will be reimbursed as follows:

- Specific errands requested by your supervisor on behalf of SVS. Mileage begins and ends at SVS, unless otherwise specified by your Supervisor.
- Attendance at specific meetings, workshops, and seminars away from SVS as requested by your supervisor. Mileage begins and ends at SVS, unless otherwise specified by your Supervisor.

All requests for mileage reimbursement must be submitted on a Mileage Report form and approved by your Supervisor. Reports may be submitted to the Accounting Office by your Supervisor at the end of month for which you have accumulated mileage. Reimbursement will then be made according to the purchasing procedures and you will receive a check. Mileage will not be reimbursed from the Petty Cash fund. Also, in order to be eligible for mileage reimbursement, the Accounting Office must receive a copy of your automobile insurance (including dollar limits) prior to issuing a check. No mileage reimbursement checks will be issued without your insurance documentation on file. Mileage reimbursement rates are available from the Accounting Office.

Program Supplies 500-07

Each program has an allotted budget for activity supplies. Money is to be dispersed at your Supervisors discretion, under the direction of the Executive Director. Monies in this budget are for activity supplies only. Any questions regarding the dispersing of funds should be directed to your Supervisor.

If additional food is needed the Community Outreach Coordinator must be notified. He/she will verify the need and make a list to be bought at the local grocery store.

Reimbursements 500-08

- Original store receipts must be attached to an Expense Report form, see section 500-03 for purchasing procedures. Funds will not be reimbursed without original store receipts.
- Requests for reimbursement must be submitted to and approved by your Supervisor. The Supervisor will then submit a request for reimbursement to the Accounting Office.
- Each program will be responsible for keeping track of their own budget. Any expense that is more than 3 months old may not be reimbursed.

Outside Agency Reporting/Correspondence 500-09

Any employee reporting financial or program data to an outside agency, such as government agency, collaborating agencies, must alert the Accounting Office, Shelter Director, and Executive Director prior to submitting the data.

In-Kind Contributions 500-10

SVS has developed and implemented a volunteer log that allocates what program the services provided are designated to.

Numbered donation slips are filled out by each individual making an in-kind donation. The procedure for these donations has been changed to require staff to write on the bottom of the donation slip the program or client that the item will be used for or given to. Copies of the donation slips will be given to the accountant and Shelter Director to be recorded to the appropriate grant along with a copy placed in grant files for matching fund purposes. This information will also be logged into DonorPerfect database tracing all donations.

Donations are inventoried when they are put into storage. Once the items are taken out of storage they are inventoried out of the system and identified as donations to clients.